Services Industry Trends

Presentation to

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University Château de Béhoust

May 12-14, 1992

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Operations Manager
France

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Services Industry Trends 1996—Primary Forces

- The Economy
- The Market Size
- The Influence of Large Vendors

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Notes

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Services Industry Trends 1996—Primary Forces

- Downsizing
- The Changing Buyer
- Outsourcing
- The Standards Process

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The Economy

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Weak Economy

- Lingering recession delays decisions
- Information systems under tight control
- Information systems budgets—5% to 10% increase
- Vendor investment is slowed

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IT User Expenditure Europe—Historical Growth

Category	1981 ($B)	CAGR (Percent)	1991 ($B)
Systems	25	9	60
Systems Software	1	28	12

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Total	40	14	145

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The Market Size

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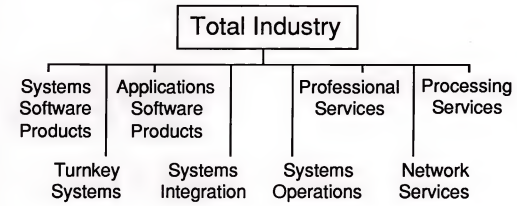
Information Services Industry Structure



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Notes

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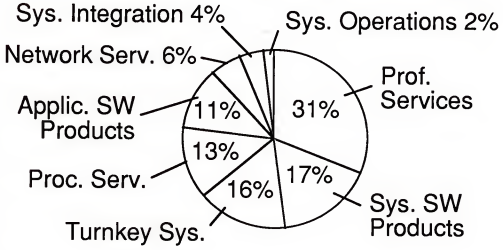
Delivery Mode Analysis



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1991 Total Market = $77 B

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Notes

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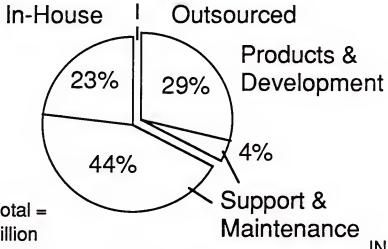
European User Software Budgets



1990 Total = $90 Billion

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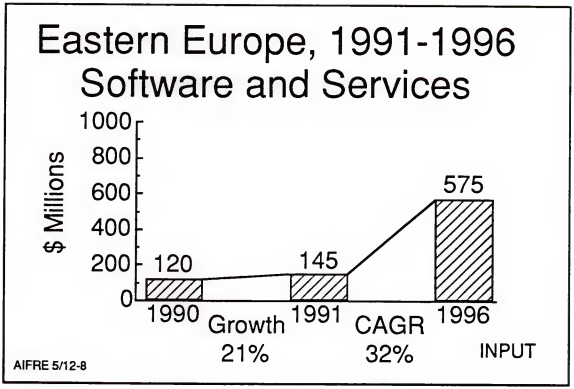

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The Influence of Large Vendors

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Increasing Influence of Large Vendors

- Consolidation continues
- Market share creeping up
- Outsourcing favors larger vendors
- Slows technological change and adoption

IS-62

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Notes

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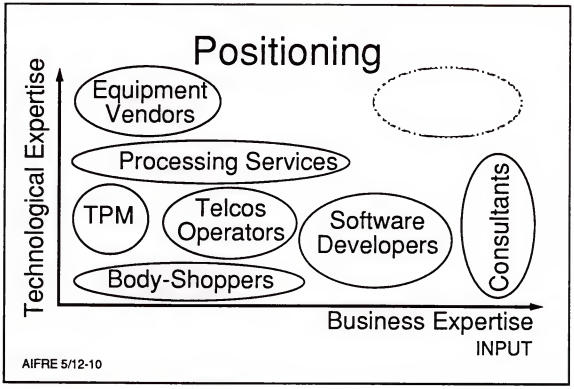

Notes

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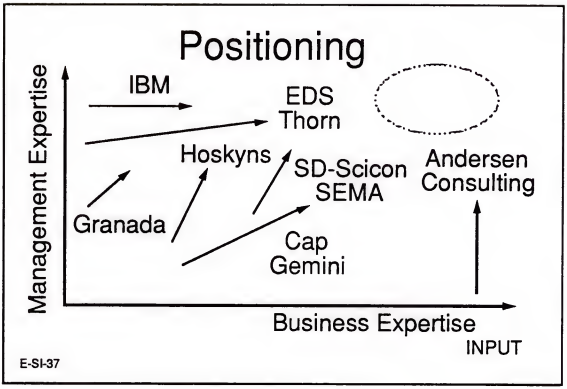

Notes

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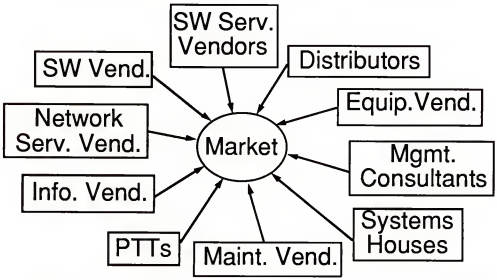
Increasing Competition



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Vendor Added Value

- Applications Management
- Systems Management
- Solution Engineering
- Systems Technology

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Notes

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Downsizing

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Notes

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Downsizing
What Is Its Meaning?

- Something new
- Something old
- Downsizing = Upsizing
- Downsizing = Smartsizing = Upsizing

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Notes

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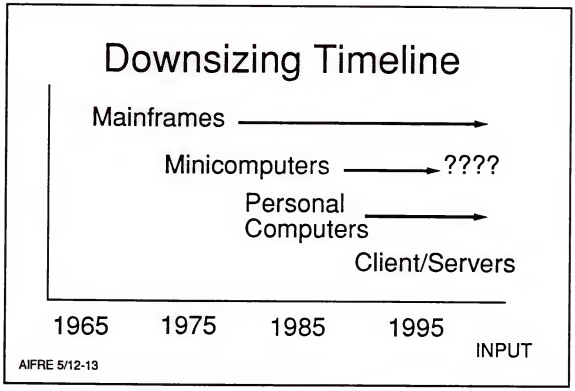

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Downsizing
What Are the Motivations?

- Lower costs
- Distribute data bases
- Improve productivity and return on investment
- Put the power in the hands of the users

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The Changing Buyer

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The Changing Buyer

- General manager becomes primary buyer
- IS becomes internal consultant
- Solutions versus technology

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Notes

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The Changing Buyer

- Decisions become larger—take longer
- The budget is decentralized—multiple buyers

IS-64b

Notes

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Revolutions or Evolutions?

- Re-engineering
  - Organization: All or parts
  - IS Organization

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Notes

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Re-engineering the Organization

- Slow
- Not driven by IS
- Must have outside agency
- Must include IT

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Notes

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Re-engineering IS

- Used to be a separate function
- Now being integrated into organization
- Will it disappear?

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Notes

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Outsourcing

INPUT

OU-43

Notes

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Outsourcing is the contracting of information systems processes to external vendors.

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OU-6a

Notes

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"Outsourcing" vs. Buying Services

- Greater commitment on part of buyer
- "Partnership"
- Responsibility/risk for vendors

INPUT

OU-11

Notes

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Product and Service Trends

Transition Management | *Applications Maintenance* | *Applications Management*

Sys. Integ. | Sys. Oper.

Applications Software | Turnkey Systems | Processing Services

Systems Software | Professional Services | Network Services

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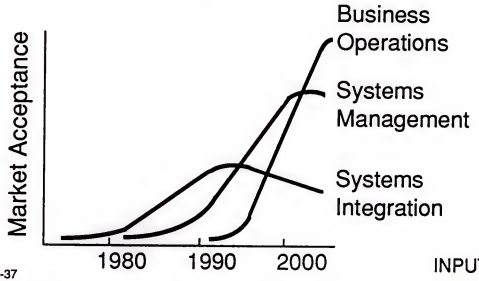
Outsourcing Market Waves



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Notes

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The Standards Process

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Notes

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The Systems Industry—Past

Operating environments protected core systems prices

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Notes

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The Systems Industry—Now

Open Systems

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IS- 93

Notes

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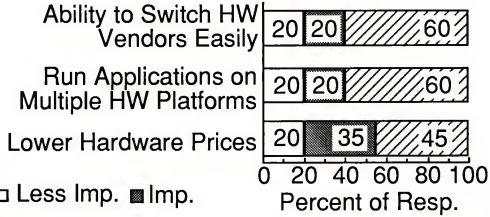
Importance of Open System Benefits



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AIFRE 5/12-17

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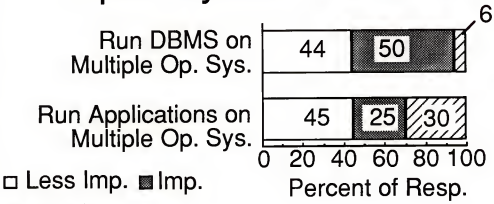

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Notes

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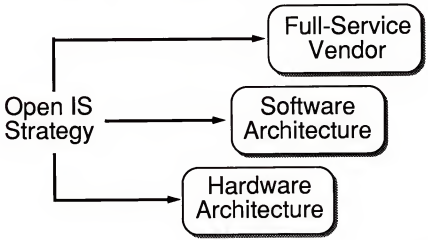
Vendor Selection Trends



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Fails!
Some pulled for
OEOSP prstn.
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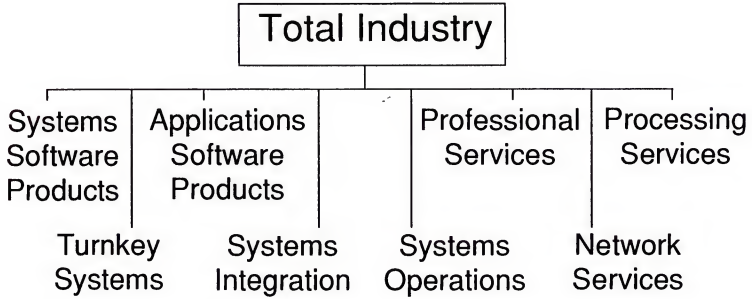

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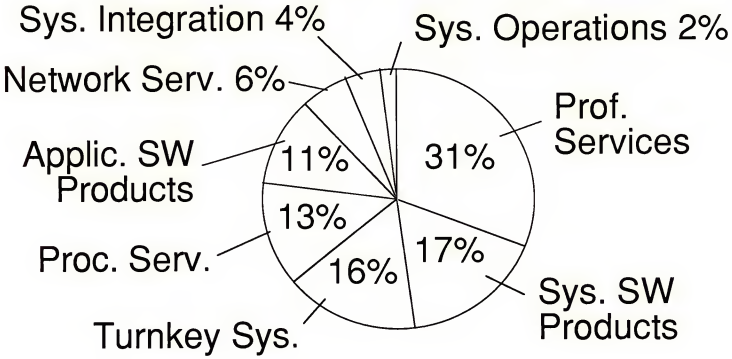

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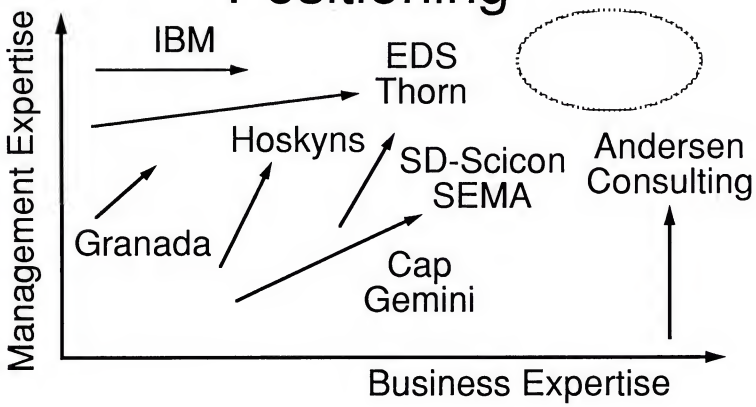

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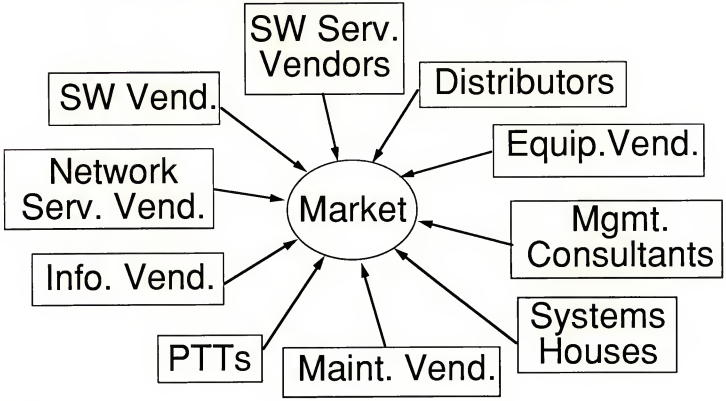
Increasing Competition



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IS- 95

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OU-43

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OU-6a

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OU-11

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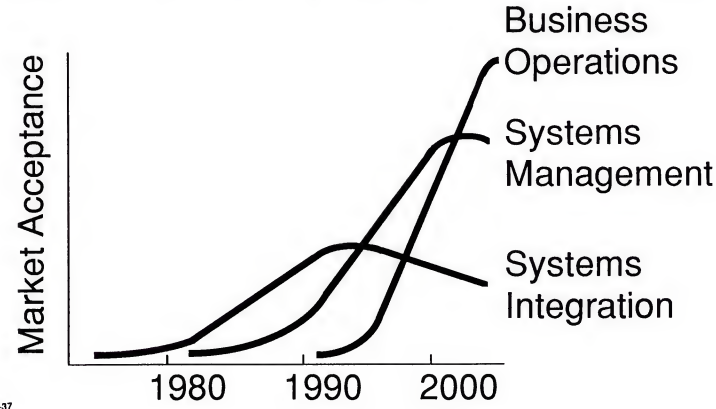

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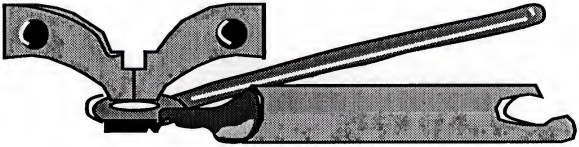

IS- 93

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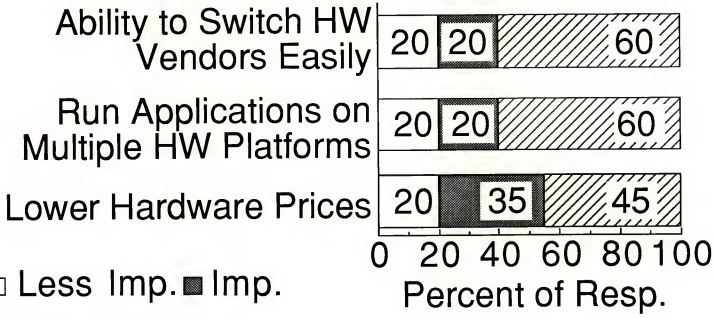
Importance of Open System Benefits



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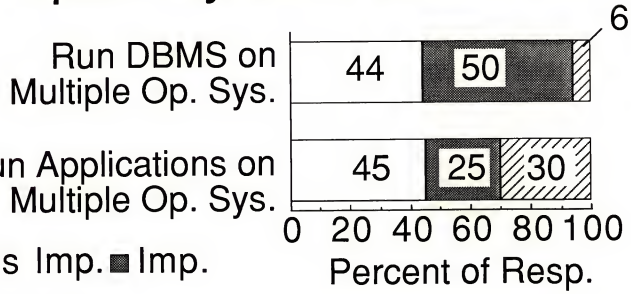

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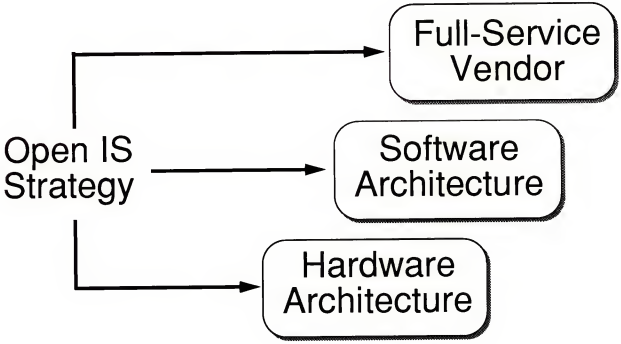
Vendor Selection Trends



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